



Press Release

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Department Releases Fall 2010 Revenue Sources Book

Anchorage – Department of Revenue Commissioner Patrick Galvin released the Fall 2010 *Revenue Sources Book* today, which summarizes FY 2010 revenue, and projects revenue for FY 2011 through FY 2020. The department will post the *Revenue Sources Book*, an annual publication that provides detail about the sources and levels of revenue anticipated, on the department's website, at www.tax.alaska.gov.

Upon releasing the revenue forecast, Galvin observed, "Alaska's revenue outlook is strong and stable for the foreseeable future. However, because of our dependence on oil, with its volatile price history, we must maintain our conservative fiscal philosophy." He noted that oil prices were relatively consistent throughout Fiscal Year 2010, which ended this past June, with Alaska North Slope crude oil averaging \$74.90 per barrel. The department forecasts oil prices to continue this trend of stability and increase slightly in fiscal years 2011 and 2012, to \$77.96 and \$82.67, respectively. Using this price forecast, unrestricted revenue is estimated to total \$5.4 billion in FY 2011 and \$5.7 billion in FY 2012. Unrestricted revenue in FY 2010 totaled \$5.5 billion. Revenue from oil and gas production is expected to provide over 87% of the state's unrestricted revenue through FY 2020.

Oil production on the North Slope declined 7.1% between FY 2009 and FY 2010. Over the next decade, production is forecasted to continue its decline, but at a slower pace, with slight increases in some of the years. In FY 2011, the department forecasts production to decline 4.2%, with daily production averaging 616,000 barrels of oil. The forecast for FY 2012 projects oil production to increase slightly to 622,000 barrels per day, an increase of about 1%. Fields currently under development, including Nikaitchuq, are expected to produce their first oil within the next two to three fiscal years. The forecast also projects increases in production in the Oooguruk Unit and in some of the satellite fields in the Prudhoe Bay, Kuparuk, and Colville River units.

Galvin further noted, "Investment on the North Slope continues to steadily increase since 2006." In FY 2010, total reported expenditures reached close to \$4.7 billion and they are projected to rise to \$5.1 billion in FY 2011. For FY 2012, oil companies are projecting \$5.5 billion in spending on the North Slope. Investment is a key component of the production tax calculation, and expenditures on capital projects may signal future production increases. Capital expenditures are steadily climbing about \$200 million per year since FY 2008, with the FY 2010 spending level of \$2.4 billion increasing to \$2.6 billion in FY 2011, and \$2.9 billion in FY 2012.

Unrestricted non-oil revenues are forecasted to total \$698 million in FY 2011 and \$683 million in FY 2012. These estimates are up from \$598 million in FY 2010.

To download a copy of the Fall 2010 forecast, visit the Tax Division's website at www.tax.alaska.gov.